
HEATHER GARDENS
METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2025

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Independent Auditors' Report

Board of Directors
Heather Gardens Metropolitan District
Aurora, Colorado

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Heather Gardens Metropolitan District (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the District as of December 31, 2025, and the respective changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report On Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budget and actual schedule and note to the schedule on pages 30 and 31, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report On Summarized Comparative Information

We have previously audited the District's 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 29, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

July 29, 2026

HEATHER GARDENS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2025

Our discussion and analysis of Heather Gardens Metropolitan District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2025. Please read it in conjunction with the District's financial statements, which begin on page 10.

Description of the District and its Relationship with the Heather Gardens Association

Community. Heather Gardens is an age-restricted community of active, independent adults. It is located on 200 acres of land in the southeast Denver metro area less than a mile from I-225, RTD's Nine-Mile light rail station, and Cherry Creek State Park and reservoir. It consists of 2,426 condominium units, townhouses and patio homes and properties. Two separate organizations have been formed to administer the community properties and business activities. They are Heather Gardens Association (Association) and the District.

The Association. The Association was incorporated in January 1973 as a corporation to act as manager of the condominium units. The Association levies assessment fees to unit owners in accordance with the formulas contained in the Declaration of Condominium (the Declaration). These assessments are to be used to maintain and preserve the buildings, grounds, improvements, and general common elements; to purchase equipment and other personal property; to pay utilities, insurance and other common element expenses relating to the operation and to provide for the repair and replacement of facilities.

The District. The District, a quasi-municipal corporation, was formed April 6, 1983. It is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the City of Aurora, Arapahoe County, Colorado. The District was established to provide and operate park and recreation facilities and to improve and maintain Linvale Place within the District. The current activities of the District consist of recreational services and operations, the most significant of which is the operation of a public golf course, clubhouse, and restaurant.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for business-type activities are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting. Required statements for fiduciary funds are: 1) Statement of Fiduciary Net Position and 2) Statement of Changes in Fiduciary Net Position. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the business-type statements because the resources of those funds are not available to support the District's own programs.

The Statement of Net Position presents information on all the District's business-type activities assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position as of December 31, 2025. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

The Statement of Revenues, Expenses and Changes in Net Position reports the changes that have occurred during the year to the District's business-type activities net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

The Statement of Cash Flows, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's business-type activities cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financial activities and, 4) cash flows from investing activities.

Financial Highlights

- The District's net position decreased by \$300,581, or 5.32%, as a result of this year's operations, based on beginning of year net position.
- During the year, the District's operating revenues increased by \$116,854 or 3.31% from revenues in 2024. The District's operating expenses increased \$520,892 or 13.71%, from expenses in 2024 as a result of increased restaurant and professional service expenses.
- Nonoperating revenues decreased by \$13,932, or 1.99%, and nonoperating expenses decreased by \$32,412, or 9.37%.
- Funds related to The District's annual Change in Net Position are allocated between restricted and unrestricted based on board designations and external restrictions.
- Total liabilities were reduced by \$1,790,043 or 19.44%

Financial Summary and Analysis

Capital Assets

	2025	2024
Land	\$ 1,725,000	\$ 1,725,000
Intangible assets (City of Aurora water rights)	133,190	133,190
Construction in progress	10,000	314,357
Property, furniture and equipment	17,287,194	16,968,933
Less accumulated depreciation	(9,506,055)	(9,033,447)
Total Capital Assets - Net	\$ 9,649,329	\$ 10,108,033

For additional information, see note 4.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

The following condensed financial information was derived from the District's financial statements:

	2025	2024	2023
Current assets	\$ 3,123,339	\$ 4,611,159	\$ 3,397,861
Noncurrent assets	95,590	134,652	240,786
Capital assets, net of accumulated depreciation	9,649,329	10,108,033	10,049,915
Total Assets	12,868,258	14,853,844	13,688,562
Deferred Outflows of Resources	484,629	517,118	549,607
Current liabilities	741,444	2,172,961	798,615
Long-term liabilities	6,675,103	7,033,629	7,382,155
Total Liabilities	7,416,547	9,206,590	8,180,770
Deferred Inflows of Resources	585,024	512,475	484,572
Invested in capital assets, net of related debt	3,133,855	3,276,522	2,917,367
Restricted	85,854	158,518	257,351
Unrestricted	2,131,607	2,216,857	2,398,109
Total Net Position	\$ 5,351,316	\$ 5,651,897	\$ 5,572,827
Operating revenues	\$ 3,643,378	\$ 3,526,524	\$ 3,108,529
Nonoperating revenues	684,744	698,676	761,271
Transfer in	5,907	—	—
Total Revenues	4,334,029	4,225,200	3,869,800
Operating expenses	4,321,165	3,800,273	3,042,636
Nonoperating expenses	313,445	345,857	324,628
Total Expenses	4,634,610	4,146,130	3,367,264
Changes In Net Position	(300,581)	79,070	502,536
Ending Net Position	\$ 5,351,316	\$ 5,651,897	\$ 5,572,827

Generally, the District collects in property taxes the amount needed for principal and interest on its outstanding bonds less any excess operating funds from prior years.

Long-Term Debt Outstanding

	2025	2024	2023
General obligation bonds	\$ 6,500,000	\$ 6,815,000	\$ 7,115,000

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Bond payments are made twice yearly (June 1 and December 1). The June payment includes only interest and the December payment includes both interest and principal. During 2025, the District paid down the principal by \$315,000 on the outstanding bonds. The bond payments are funded by the property tax revenue and specific ownership tax revenue received by the District.

Budgetary Discussion

The District Board approved a 2025 budget amendment in July 2026. For the year ended 2025, the District incurred a budgetary basis excess of expenditures over revenues of \$756,244. District revenues and expenses had a favorable variance of \$135,578 and \$5,576, respectively, during 2025.

All requests for the Foundation Custodial Fund expenditures are made by motion to the Board and are not authorized without specific Board approval.

Economic Factors and Rates

Other known facts, decisions or conditions that did have an effect on the District's financial position or results of operations in 2025 include:

- 1) The District's decision to hire an outside consulting firm to provide accounting services for the District resulted in expenditures of about \$239,000. These services were terminated beginning in 2026.
- 2) The District incurred significant legal and professional fees regarding the District's compliance with bonding requirements.
- 3) The District did not collect enough in tax revenue to cover principal and interest payments of the General Obligation Refunding Bonds, Series 2017. An internal due to / due from has been recorded as of December 31, 2025 in the amount of \$27,800 to cover the balance due. The District also increased its mill levy for 2026 property taxes in order to collect \$585,024, which is sufficient to cover the 2026 principal and interest payments.

Contacting the District's Financial Management

This financial report is designed to provide our residents and future residents of Heather Gardens with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Carrie Toennis, Controller, at Heather Gardens Association, 2888 S. Heather Gardens Way, Aurora, CO 80014 or call 303-755-0652.

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2025

(With Summarized Financial Information As Of December 31, 2024)

Assets And Deferred Outflows Of Resources

	2025	2024
Current Assets		
Cash and cash equivalents	\$ 2,424,936	\$ 2,996,603
Investments	4,538	1,004,156
Property tax receivable	585,024	512,475
Accounts receivable, net of allowance for doubtful accounts of \$14,000 in 2025 and \$871 in 2024	25,634	25,228
Other receivables	33,588	—
Prepaid expenses	—	2,200
Inventory	38,040	47,681
Due from the Foundation	—	3,797
Other current assets	11,579	19,019
Total Current Assets	3,123,339	4,611,159
Noncurrent Assets		
Cash restricted	38,184	24,472
Investments restricted	57,406	110,180
Nondepreciable capital assets	1,735,000	2,039,357
Intangible assets	133,190	133,190
Depreciable capital assets, net of accumulated depreciation of \$9,506,055 and \$9,033,447 in 2025 and 2024, respectively	7,781,139	7,935,486
Total Noncurrent Assets	9,744,919	10,242,685
Total Assets	12,868,258	14,853,844
Deferred Outflows Of Resources		
Deferred loss on 2010 bond refunding	484,629	517,118

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities		
Accounts payable	44,861	424,172
Interest payable	21,667	22,717
Deposits	17,724	19,271
Due to the Association	228,433	1,304,064
Due to the Foundation	9,851	—
Unearned revenue	93,908	87,737
Current portion of bonds payable	325,000	315,000
Total Current Liabilities	741,444	2,172,961
Long-Term Liabilities		
Bonds payable	6,675,103	7,033,629
Total Liabilities	7,416,547	9,206,590
Deferred Inflows Of Resources		
Unearned property tax revenue	585,024	512,475
Net Position		
Net investment in capital assets	3,133,855	3,276,522
Restricted	85,854	158,518
Unrestricted	2,131,607	2,216,857
Total Net Position	\$ 5,351,316	\$ 5,651,897

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Year Ended December 31, 2025
(With Summarized Financial Information
For The Year Ended December 31, 2024)

	2025	2024
Operating Revenue		
Recreation use fees	\$ 1,800,670	\$ 1,920,964
Golf course fees	654,853	561,975
Restaurant income	987,541	836,189
Clubhouse fees	149,402	169,089
Recreational vehicle lot rentals	39,759	31,501
Other operating revenue	11,153	6,806
Total Operating Revenue	3,643,378	3,526,524
Operating Expenses		
Clubhouse, golf course, recreational vehicle lot	1,661,359	1,525,065
Depreciation	598,353	560,838
Restaurant expenses	1,517,707	1,163,736
Professional services and insurance	527,388	190,195
Other operating expenses	16,358	360,439
Total Operating Expenses	4,321,165	3,800,273
Operating Loss	(677,787)	(273,749)
Nonoperating Revenue		
Property taxes	512,850	485,193
Specific ownership taxes	28,272	27,840
Conservation Trust Fund entitlement	23,854	14,727
Investment earnings	101,293	120,464
Realized/Unrealized gain on investments	—	19,104
Insurance proceeds	18,475	31,348
Total Nonoperating Revenue	684,744	698,676
Transfer In	5,907	—
Nonoperating Expenses		
Interest	271,570	283,600
Amortization of deferred loss on bond refunding	32,489	32,489
Other nonoperating expenses	42,912	63,294
Amortization of bond premium, net	(33,526)	(33,526)
Total Nonoperating Expenses	313,445	345,857
Change In Net Position	(300,581)	79,070
Net Position - Beginning Of Year	5,651,897	5,572,827
Net Position - End Of Year	\$ 5,351,316	\$ 5,651,897

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2025
(With Summarized Financial Information
For The Year Ended December 31, 2024)
Page 1 Of 2

	2025	2024
Cash Flows From Operating Activities		
Payments received from customers	\$ 3,614,008	\$ 3,486,979
Payments to suppliers for goods and services	(5,165,913)	(1,810,608)
Net Cash Provided By (Used In) Operating Activities	(1,551,905)	1,676,371
Cash Flows From Noncapital Financing Activities		
Specific ownership taxes	28,272	27,840
Other nonoperating expenses	(42,912)	(63,294)
Net Cash Used In Noncapital Financing Activities	(14,640)	(35,454)
Cash Flows From Capital And Related Financing Activities		
Property taxes levied for debt service, net	512,850	485,193
Principal paid on long-term debt	(315,000)	(300,000)
Interest paid on long-term debt	(272,620)	(284,600)
Conservation Trust Fund entitlement	23,854	14,727
Acquisition of property and equipment	(151,621)	(618,956)
Cash received from insurance claims	18,475	31,348
Cash received from the Foundation	19,555	—
Net Cash Used In Capital And Related Financing Activities	(164,507)	(672,288)
Cash Flows From Investing Activities		
Maturities of certificates of deposit	—	1,492,675
Redemptions on local government investment pool	1,064,364	—
Purchase of investments	—	(1,860,830)
Investment earnings	108,733	135,497
Net Cash Provided By (Used In) Investing Activities	1,173,097	(232,658)
Net Change In Cash And Cash Equivalents	(557,955)	735,971
Cash And Cash Equivalents - Beginning Of Year	3,021,075	2,285,104
Cash And Cash Equivalents - End Of Year	\$ 2,463,120	\$ 3,021,075
Cash and cash equivalents	\$ 2,424,936	\$ 2,996,603
Cash restricted	38,184	24,472
Total Cash And Cash Equivalents - End Of Year	\$ 2,463,120	\$ 3,021,075

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2025
(With Summarized Financial Information
For The Year Ended December 31, 2024)
Page 2 Of 2

	2025	2024
Reconciliation Of Loss From Operations		
To Net Cash Provided By (Used In) Operating Activities		
Operating loss	\$ (677,787)	\$ (273,749)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation	598,353	560,838
Changes in assets:		
Receivables	(33,994)	(23,304)
Prepaid expenses	2,200	59,205
Inventory	9,641	(6,965)
Changes in liabilities:		
Accounts payable	(379,311)	313,574
Due to the Association	(1,075,631)	1,056,966
Deposits	(1,547)	2,544
Unearned revenue	6,171	(12,738)
Net Cash Provided By (Used In) Operating Activities	\$ (1,551,905)	\$ 1,676,371

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2025

(With Summarized Financial Information

For The Year Ended December 31, 2024)

	Heather Gardens Foundation Custodial Fund			
	2025		2024	
Assets				
Investments restricted	\$	190,065	\$	198,957
Due from the District		9,851		—
Total Assets		199,916		198,957
Liabilities				
Due to the District		—		3,797
Net Position				
Restricted		199,916		195,160
Total Net Position	\$	199,916	\$	195,160

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For The Year Ended December 31, 2025
(With Summarized Financial Information
For The Year Ended December 31, 2024)

	Heather Gardens Foundation Custodial Fund	
	2025	2024
Additions		
Donations	\$ 1,950	\$ 4,460
Investment income on certificates of deposit	8,713	3,573
Total Additions	10,663	8,033
Deductions		
Other expenses	—	3,776
Transfer out	5,907	—
Total Deductions	5,907	3,776
Change In Fiduciary Net Position	4,756	4,257
Fiduciary Net Position - Beginning Of Year	195,160	190,903
Fiduciary Net Position - End Of Year	\$ 199,916	\$ 195,160

HEATHER GARDENS METROPOLITAN DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2025

1. Definition Of Reporting Entity

The Heather Gardens Metropolitan District (the District), a quasi-municipal corporation, was formed April 6, 1983. It is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the City of Aurora, Arapahoe County, Colorado. The District was established to provide and operate park and recreation facilities and to improve and maintain Linvale Place within the District. The current activities of the District consist of recreational services and operations, the most significant of which is the operation of a public golf course and restaurant.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not a component unit of any other governmental entity. The District's financial statements include the fiduciary activities of the Heather Gardens Foundation (the Foundation), a committee whose purpose is to enhance the quality of life and enjoyment of the residents. All members of the Heather Gardens Association (the Association) are members of the Foundation. The Foundation is primarily funded through donations. The Foundation is not a legally separate entity, and is therefore not considered a component unit of the District, but is considered a fiduciary fund as described in Note 2.

The District has no employees and all operations and administrative functions are contracted.

2. Summary Of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to state and local governmental units.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The more significant accounting policies of the District are described as follows:

Measurement Focus And Basis Of Accounting

For financial reporting purposes, operations of the District's business type activities are reported as a single enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and redemption of bonds and loans is recorded as a reduction in liabilities. Fiduciary fund information is not included on the statement of net position, revenues, expenditures and changes in fund balance or on the statement of cash flows of the enterprise fund.

Additionally, the District reports the following fiduciary fund:

Custodial Fund

The Custodial Fund is fiduciary in nature and presents changes in fiduciary net position. The Custodial Fund is accounted for using the accrual basis of accounting. The fund accounts for assets held in a fiduciary capacity for the Foundation, which is to be used in the enhancement of the quality of life and enjoyment of the residents.

Operating Revenues And Expenses

The District's business-type activities distinguish between operating revenues and expenses and nonoperating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the District's purpose of providing and operating park and recreation facilities and to improve and maintain a street within the District. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Budgetary Information

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is calculated using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	7 - 39 years
Furniture and equipment	5 - 15 years

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties effective January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and tax sales of the liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources are recognized as revenue, and the receivable is reduced.

Net Position

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Comparative Data

The financial statements include certain prior-year comparative information in total, but not at the level of detail required for presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the 2024 District financial statements from which the summarized information was derived.

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period or periods and so will not be recognized as an outflow of resources until then.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The District has unearned property tax income. This item has been reported as deferred inflows on the statement of net position.

3. Cash, Cash Equivalents And Investments

As of December 31, 2025, the District's cash deposits and investments had the following book and bank balances:

	<u>Book</u>		<u>Bank</u>	
Deposits with financial institutions - unrestricted	\$	2,424,186	\$	2,411,678
Deposits with financial institutions - restricted		38,184		38,184
Investments - unrestricted		4,538		1,905
Investments - restricted		247,471		249,597
Cash on hand		750		—
	\$	2,715,129	\$	2,701,364

At December 31, 2025, the District's cash and cash equivalents as reported in the financial statements are as follows:

	<u>Proprietary Fund</u>	<u>Foundation Fund</u>	<u>Grand Total</u>
Cash and cash equivalents	\$ 2,424,936	\$ —	\$ 2,424,936
Cash and cash equivalents restricted	38,184	—	38,184
	\$ 2,463,120	\$ —	\$ 2,463,120

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Cash Deposits

Custodial Credit Risk: The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation coverage is \$250,000 per official custodian. At December 31, 2025, the District's cash deposits at financial institutions had a book balance of \$2,462,370 and a corresponding bank balance of \$2,449,862. Of the bank balance, \$302,063 was covered by federal depository insurance with multiple banks. The remainder of the bank balance, \$2,147,799, was collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by PDPA.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

At December 31, 2025, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Maturity</u>
Local government investment pool	\$ 99,964	AAAm	N/A
U.S. Treasury notes	152,045	AA+	2026
Total Investments	\$ 252,009		

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Restricted Cash And Investments

In accordance with Colorado Revised Statutes, the District maintains separate bank accounts for the Custodial Fund. At December 31, 2025, the cash and investment balance of this fund was \$190,065.

The District restricted cash to meet the bond reserve requirements for servicing the bonds in the amount of \$6,386 at December 31, 2025.

In accordance with Colorado Revised Statutes, the District maintains a separate bank account for the Conservation Trust Fund entitlement. At December 31, 2025, the balance of these funds were \$89,204.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant unobservable inputs; and Level 3 inputs are significant unobservable inputs.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Investments by fair value level as of December 31, 2025, are as follows:

	December 31, 2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments By Fair Value Level				
U.S. Treasury notes	\$ 152,045	\$ —	\$ 152,045	\$ —
Local government investment pool - measured at the net asset value	99,964			
Total Investments	\$ 252,009			

Investments, other than the local government investment pool, are assigned a hierarchy level based on asset type. Evaluations are made utilizing sources, frequencies, and reliability of observable and unobservable inputs, as well as industry standard considerations when applicable. All investments classified as Level 1 are valued using closing market prices, as quoted in active markets. Investments classified as Level 2 are evaluated based on various market and industry inputs, including institutional bond quotes, collateralized mortgage obligation source, market prices, and independent market data analysis. Investments classified as Level 3 are evaluated based on significant unobservable inputs.

Local Government Investment Pools

During 2025, the District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. As of December 31, 2025, the District had \$99,964, invested in COLOTRUST PLUS+, one of the three portfolios offered by COLOTRUST, which is included in investments. COLOTRUST PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is exempt from being measured at fair value and is excluded from the fair value hierarchy. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. COLOTRUST PLUS+ may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST PLUS+ is rated AAAM by S&P Global Ratings with a weighted average maturity of under 60 days. Separate financial statements can be obtained by calling 303.864.7474 or going to www.colotrust.com.

4. Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2025 is as follows:

	Balance - January 1, 2025	Additions/ Transfers	Deletions/ Transfers	Balance - December 31, 2025
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$ 1,725,000	\$ —	\$ —	\$ 1,725,000
Construction in progress	314,357	10,000	(314,357)	10,000
Intangible asset (City of Aurora water rights)	133,190	—	—	133,190
Total Nondepreciable Capital Assets	2,172,547	10,000	(314,357)	1,868,190
Depreciable Capital Assets				
Property and equipment	13,880,444	352,163	(134,857)	14,097,750
Furniture and equipment	1,362,724	103,815	(2,860)	1,463,679
Restaurant equipment	379,228	—	—	379,228
Restaurant and pro shop renovation	1,346,537	—	—	1,346,537
Total Depreciable Capital Assets	16,968,933	455,978	(137,717)	17,287,194
Total Capital Assets	19,141,480	465,978	(452,074)	19,155,384
Accumulated Depreciation	(9,033,447)	(598,353)	125,745	(9,506,055)
Net Depreciable Capital Assets	7,935,486	(142,375)	(11,972)	7,781,139
Total Capital Assets, Net Of Depreciation	\$ 10,108,033	\$ (132,375)	\$ (326,329)	\$ 9,649,329

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

5. Long-Term Obligations

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance - January 1, 2025	Additions	Reductions	Balance - December 31, 2025	Due Within One Year
Series 2017 General Obligation Refunding Bonds	\$ 6,815,000	\$ —	\$ (315,000)	\$ 6,500,000	\$ 325,000
Premium on Series 2017 General Obligation Refunding Bonds	533,629	—	(33,526)	500,103	33,526
Total Long-Term Obligations	\$ 7,348,629	\$ —	\$ (348,526)	\$ 7,000,103	\$ 358,526

Bonds Payable

In November 2017, the District issued \$8,025,000 of General Obligation Refunding Bonds, Series 2017, with interest rates ranging from 3.98% to 4.00%, for the purpose of advance refunding a portion of the General Obligations Bonds, Series 2010, with an interest rate ranging from 1.25% to 5.25%. The refunding resulted in a present value savings from the cash flow of \$1,149,527 and an economic loss on the refunding of \$747,249.

Bond and coupon payments to maturity are as follows:

Year	Principal	Interest	Total
2026	\$ 325,000	\$ 260,000	\$ 585,000
2027	340,000	247,000	587,000
2028	350,000	233,400	583,400
2029	365,000	219,400	584,400
2030	380,000	204,800	584,800
2031 - 2035	2,140,000	783,400	2,923,400
2036 - 2040	2,600,000	320,000	2,920,000
	\$ 6,500,000	\$ 2,268,000	\$ 8,768,000

6. Net Position

District Net Position

The District has a net position consisting of three components: net investment in capital assets, restricted and unrestricted.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction or improvement of those assets.

As of December 31, 2025, the District had net position invested in capital assets, which is calculated as follows:

Capital assets - net of accumulated depreciation	\$ 9,649,329
Capital-related borrowings	(7,000,103)
Deferred loss on 2010 bond refunding	<u>484,629</u>
	<u>\$ 3,133,855</u>

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had the following restricted net position as of December 31, 2025:

Restricted	
TABOR emergency reserves	\$ 16,234
Conservation Trust Fund	61,648
Debt service	<u>7,972</u>
Total	<u>\$ 85,854</u>

Emergency reserves have been provided for as required by Article X, Section 20, of the Constitution of the State of Colorado, otherwise known as the Taxpayer Bill of Rights (TABOR). A portion of the net position has been restricted in compliance with this requirement.

Debt service restricted net position represents amounts restricted for future payment of general obligation bond principal, interest and related costs. During 2025, the District did not collect enough in tax revenue to cover principal and interest payments of the General Obligation Refunding Bonds, Series 2017. An internal due to / due from has been recorded as of December 31, 2025 in the amount of \$27,800 to be transferred in 2026 to cover the balance. The District also increased its mill levy for 2026 property taxes in order to collect \$585,024, which is enough to cover the 2026 principal and interest payments.

The Conservation Trust Fund's restricted net position represents the net unspent proceeds received from the State Lottery for the Conservation Trust Fund.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

Fiduciary Net Position

The Foundation has net position that is restricted. The restricted net position represents the net unspent proceeds of contributions received for the Foundation. The Foundation is a District operation and is not a legally separate entity.

The Foundation had the following restricted net position as of December 31, 2025:

Restricted	
Foundation	<u>\$ 199,916</u>
Total	<u><u>\$ 199,916</u></u>

7. Risk Management

The District is exposed to various risks related to torts; thefts of, damage to or destruction of assets; errors or omissions or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability and boiler and machinery insurance coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public official's liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

8. Heather Gardens Association

The District has entered into a Management Agreement with the Association, a homeowners association for the members who own units within the District's boundaries.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Under the terms of the agreement, the District designated the Association as the District's agent to operate, manage and supervise the properties and facilities of the District. The District makes all decisions relative to the District's capital reserves. The final responsibility and authority for the District's property remains with the District. The Association shall take reasonable steps to collect and enforce the collection of all fees, charges, rents and other sums arising from the use of District property. The Association transfers all expenses of the clubhouse, golf course and restaurant to the District monthly.

The District permits the members of the Association use of the District facilities on a nonexclusive basis with other members of the general public. The District also permits the Association to share office space at no cost, the value of which is offset by the services provided under the Management Agreement and therefore is insignificant and not reflected in the financial statements.

At December 31, 2025, there was \$228,433 balance due to the Association.

9. Tax, Spending And Debt Limitations

TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes that its operations qualify for this exclusion; however, management has elected to adopt certain provisions of TABOR with respect to property tax revenue collected by the District.

Spending and revenue limits are determined based on the prior fiscal year's spending, adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded, unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding enterprise operations and bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

10. Subsequent Events

Management evaluates subsequent events through the date financial statements are available for issue, which is the date of the Independent Auditors' Report.

Supplementary Information

The schedule of revenues, expenditures and changes in funds available - budget and actual (budgetary basis) is presented to demonstrate compliance with a resolution of the Board of Directors, which established a TABOR enterprise for the District's qualifying operations.

HEATHER GARDENS METROPOLITAN DISTRICT

PROPRIETARY FUND **SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN** **FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)** **For The Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Recreation use fees	\$ 1,800,000	\$ 1,800,000	\$ 1,800,670	\$ 670
Golf course fees	608,628	633,000	654,853	21,853
Restaurant income	880,000	908,000	987,541	79,541
Clubhouse fees	157,198	147,385	149,402	2,017
Recreational vehicle lot rentals	34,156	39,000	39,759	759
Other operating revenues	—	10,000	11,153	1,153
Property taxes	487,519	513,546	512,850	(696)
Specific ownership taxes	33,540	25,620	28,272	2,652
Conservation Trust Fund entitlement	21,600	21,600	23,854	2,254
Investment gain	93,861	100,300	101,293	993
Insurance proceeds	—	—	18,475	18,475
Rent income	200,000	—	—	—
Transfer in	—	—	5,907	5,907
Total Revenues	4,316,502	4,198,451	4,334,029	135,578
Expenditures				
Operating:				
Clubhouse, golf course, recreational vehicle lot	1,893,100	1,693,650	1,661,359	32,291
Depreciation	—	600,000	598,353	1,647
Restaurant expenses	1,190,993	1,459,875	1,517,707	(57,832)
Professional services	143,000	471,000	459,572	11,428
Insurance	56,000	68,000	67,816	184
Other operating expenses	56,550	22,740	16,358	6,382
Debt service:				
Principal	315,000	315,000	315,000	—
Interest	271,550	272,600	271,550	1,050
County Treasurer's collection fees	7,504	7,684	7,693	(9)
Bank payee fee	1,201	5,800	5,789	11
Other nonoperating expenses	—	99,500	17,455	82,045
Capital outlay	344,404	80,000	151,621	(71,621)
Total Expenditures	\$ 4,279,302	\$ 5,095,849	5,090,273	\$ 5,576
Excess Of Expenditures Over Revenues			(756,244)	
Adjustments to GAAP basis:				
Bond principal payments			315,000	
Amortization of bond premium, net			(32,489)	
Amortization of deferred loss on bond refunding and discount			33,526	
Capital outlay			151,621	
Interest expense			(20)	
Loss on sale of asset			(11,975)	
Change In Net Position Per Statement Of Revenues, Expenses And Changes In Net Position - GAAP Basis			<u>\$ (300,581)</u>	

HEATHER GARDENS METROPOLITAN DISTRICT

NOTE TO BUDGETARY COMPARISON SCHEDULE

Budgets And Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the budgetary schedule:

1. Prior to September 1, the District obtains budget requests from various department heads.
2. Prior to October 15, the proposed budget is submitted to the Board of Directors.
3. By December 15, the District must certify the levy to the County Commissioners.
4. By December 15, the Board enacts a resolution appropriating the budget.
5. Department heads are required to submit budget change requests after initial approval to the Board of Directors.
6. Supplemental requests are gathered by the Board of Directors. The Board of Directors will hold formal public hearings prior to approving the increased budget and appropriations.
7. Budgets for the Proprietary Fund are adopted on a basis consistent with GAAP with the following exceptions:
 - a. Depreciation, amortization of bond premium, net and amortization of deferred loss on bond refunding and discount are not budgeted expenses.
 - b. Bond principal payments and capital outlay are budgeted expenses.